

Message Text

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ACTION AF-10

INFO OCT-01 EUR-12 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 DODE-00 EB-08 FPC-01 H-01 INR-07 INT-05

L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07

SP-02 SS-15 STR-05 TRSE-00 ACDA-12 OPIC-03 /121 W

-----091687 231411Z /47

P R 231155Z NOV 77

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC PRIORITY 5012

INFO USDOC WASHDC

AMCONSUL KADUNA

AMEMBASSY LONDON

AMEMBASSY THE HAGUE

AMEMBASSY ROME

AMEMBASSY PARIS

AMEMBASSY VIENNA

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E.O. 11652: N/A

TAGS: BENC, ENRG, EFIN, NI

SUBJECT: MAJOR PROJECT FOLLOWUP: NIGERIAN LNG PROJECT

REF: (A) STATE 264853 (B) LAGOS 9063 (NOTAL)

1. NAGEL OF PHILLIPS PETROLEUM DID NOT CALL ON AMBASSADOR
OR PETROFF DURING EARLY NOVEMBER VISIT AS ANTICIPATED
REFTEL A.

2. MANAGING DIRECTOR OF NIGERIAN NATIONAL PETROLEUM
CORPORATION (NNPC), F.R. A. MARINHO, CONFIRMED TO AF/W DIRECTOR
TOM SMITH AND EMBASSY PETROFF ON NOVEMBER 9 THAT TWO PROPOSED
LNG PLANTS ON OPPOSITE BANKS OF BONNY RIVER SOUTH OF PORT
HARCOURT WILL BE CONSOLIDATED INTO ONE FACILITY. MARINHO ADDED
THAT SHELL "VOLUNTARILY WITHDREW" AS TECHNICAL PARTNER, AND
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PHILLIPS HAS NOW BEEN DESIGNATED TO REPLACE SHELL AS PROJECT
MANAGER. SHELL WILL HAVE MAJOR ROLE IN MARKETING AND SALES
NEGOTIATIONS. PHILLIPS OPTIMIZED CASCADE PROCESS WILL BE USED
RATHER THAN COMPETING PROCESS FROM AIR PRODUCTS AND CHEMICALS
INC. MARINHO SAID NEW SHAREHOLDERS AGREEMENT WAS TO BE
FINALIZED BY END OF THIRD WEEK IN NOVEMBER. PHILLIPS HAD
ALREADY DONE PRELIMINARY ENGINEERING DESIGNS, AND HE EXPECTED

THAT BY END OF YEAR APPLICATIONS WOULD HAVE BEEN INVITED FOR PREQUALIFICATION OF CONTRACTORS. MARINHO EXPRESSED INTEREST IN AVAILABILITY OF U.S. CONTRACTOR INSURANCE, AND SAID HE HOPED FPC WOULD BE ABLE TAKE RAPID ACTION ON APPLICATION FOR SALE OF NIGERIAN LNG TO AMERICAN CUSTOMERS. MARINHO OBSERVED THAT FATE OF GAS PRICING IN ADMINISTRATION'S ENERGY BILL WOULD INFLUENCE SETTING OF PRICE FOR NIGERIAN LNG, AND HE THEREFORE HOPED THAT CONGRESSIONAL DEBATE WOULD NOT BE PROLONGED.

3. ON NOVEMBER 16, PRESTON EDDY OF BECHTEL TOLD PETROLOFF THAT BECHTEL INCORPORATED OF SAN FRANCISCO WAS SCHEDULED TO HAVE SIGNED A CONTRACT WITH PHILLIPS IN BARTLESVILLE ON NOVEMBER 9 TO CONSTRUCT SIX TRAIN LNG PLANT IN NIGERIA. EDDY ADDED THAT BECHTEL PREVIOUSLY HAD SMALLER CONTRACT WITH PHILLIPS FOR DESIGN OF NIGERIAN LNG FACILITY. BECHTEL WOULD HANDLE CONTRACT THROUGH CONSTRUCTION COMPANY IT NOW SETTING UP IN NIGERIA IN JOINT VENTURE WITH FMG, CALLED NIGERIAN MANAGEMENT AND ENGINEERING SERVICES (NEMS). ENGINEERING AND DESIGN WOULD BE DONE BY OVERSEAS BECHTEL INC. OF NEVADA (OBI), AND OBI EXPATRIATE STAFF WOULD BE SECONDED BY NEMS. BECHTEL, EDDY SAID, HAS ALREADY FILED FOR OPIC CONTRACTOR INSURANCE FOR NEMS.

4. LOCAL PHILLIPS MANAGING DIRECTOR OPOP BALOGUN TOLD PETROLOFF SAME DAY THAT PHILLIPS AND BECHTEL HAVE AN "UNDERSTANDING" ON CONSTRUCTION OF LNG FACILITY AND CONFIRMED THAT BECHTEL HAD PREVIOUSLY DONE DESIGN WORK FOR PHILLIPS. BALOGUN EXPLAINED LIMITED OFFICIAL USE

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THAT PHILLIPS, CONCERNED BY PRESSURE ITS PARTNER AGIP HAD BEEN EXERTING BEHIND SCENES TO INFLUENCE NNPC TO GRANT CONSTRUCTION IN ADVANCE TO SNAMPROGETTI, CAME OUT STRONGLY FOR COMPETITIVE BIDDING TO HEAD OFF AGIP MOVES, BUT ITSELF WISHES TO SEE BECHTEL GET THE JOB. BALOGUN ALSO SAID HE CERTAIN NNPC ITSELF WANTS EITHER BECHTEL OR FLUOR TO DO THE LNG PROJECT RATHER THAN ANY FIRM OF LESSER STATURE, SO PHILLIPS FELT ON SOLID GROUND IN MAKING ARRANGEMENTS WITH BECHTEL.

5. BALOGUN CONFIRMED MARINHO'S STATEMENT THAT SHELL NOW INVOLVED WITH MARKETING, AND SAID ALL PARTNERS NOW FOCUSING ON U.S. AS THE MARKET FOR NIGERIAN LNG. PHILLIPS, HE SAID, HAD ORIGINALLY LOOKED AT EUROPE BECAUSE APPROVALS TAKE LESS TIME THERE AND LNG COMPANY WOULD BE ABLE GENERATE EARLY CASH FLOW WITH FIRST TRAIN WHILE WAITING FOR FPC APPROVAL TO START SELLING TO U.S. BALOGUN SAID ELF HAS BEEN ASSIGNED ROLE OF SHIPPING COORDINATOR AMONG PARTNERS. WHETHER CONSOLIDATED LNG FACILITY WILL BE LOCATED AT ORIGINAL SHELL SITE AT BONNY OR ON OPPOSIT BANK AT PHILLIPS PETERSIDE SITE HAS NOT YET BEEN DECIDED.

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6. COMMENT: RE NAGEL'S STATEMENT THAT PHILLIPS SEEKING TO INCREASE ITS SHAREHOLDING TO 10 PERCENT AT EXPENSE OF AGIP, IT NOT SURPRISING THAT PHILLIPS WOULD SEEK EQUAL STATUS WITH SHELL AND BP NOW THAT IT IS TECHNICAL PARTNER AND PROJECT MANAGER. SUCH A MOVE MIGHT ALSO SERVE TO FEND OFF AGIP'S MANEUVERS ON BEHALF OF SNAMPROGETTI. THAT PHILLIPS SHOULD FAVOR BECHTEL ALSO NOT SURPRISING SINCE BECHTEL BUILT PHILLIPS LNG FACILITY AT KENAI, ALASKA, AND HAS BEEN PRIME OR JOINT CONTRACTOR ON MAJORITY OF LNG PLANTS NOW OPERATING IN WORLD.

7. ESTIMATED COST OF LNG FACILITY BROKEN DOWN COUPLE OF MONTHS AGO BY VISITING PHILLIPS OFFICIALS AS FOLLOWS: SIX TRAINS AT DOLLARS 300,000 EACH, DOLLARS 1.8 BILLION; 14 TO 16 TANKERS AT DOLLARS 150 MILLION EACH, 2.1 TO 2.4 BILLION; GAS GATHERING, DOLLARS 600 TO 700 MILLION; TOTAL COST DOLLARS 4.5 TO 4.9 BILLION NOT INCLUDING RECEIVING TERMINALS. UPPER RANGE OF THIS ESTIMATE
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BY NOW PROBABLY NOT LESS THAN DOLLARS 5 BILLION. NNPC OFFICIAL IN CHARGE OF PROJECT TOLD BANKERS TRUST OFFICIALS SOME TIME AGO

THAT FMG WANTS TO FINANCE ENTIRE PROJECT OFFSHORE.

8. EMBASSY UNDERSTANDS FROM PREVIOUS CONTACTS THAT SHELL CLAIMED
TO HAVE LINED UP COLUMBIA AND SOUTHERN GAS AS CUSTOMERS IN U.S.
IS THERE ANY INFORMATION AVAILABLE ON WHO POTENTIAL PHILLIPS
CUSTOMERS MIGHT BE?
EASUM

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Message Attributes

Automatic Decaptioning: X
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Control Number: n/a
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Sent Date: 23-Nov-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
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Disposition History: n/a
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